

**MINUTES OF THE SPECIAL MEETING
OF THE
ROWAN COUNTY BOARD OF COMMISSIONERS**

January 25, 2012 – 3:00 PM

J. NEWTON COHEN, SR. ROOM

J. NEWTON COHEN, SR. ROWAN COUNTY ADMINISTRATION BUILDING

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Present: Chad Mitchell, Chairman
Carl Ford, Vice-Chairman
Jon Barber, Member
Raymond Coltrain, Member
Jim Sides, Member

County Manager Gary Page, Clerk to the Board Carolyn Athey, County Attorney Jay Dees and Finance Director Leslie Heidrick were present.

Chairman Mitchell convened the meeting at 3:00 pm.

Commissioner Coltrain provided the Invocation and also led the Pledge of Allegiance.

CONSIDER APPROVAL OF THE AGENDA

Commissioner Barber moved, Commissioner Coltrain seconded and the vote to approve the agenda passed unanimously.

1. DISCUSSION REGARDING PROPOSED CENTRAL OFFICE FOR ROWAN SALISBURY SCHOOLS

Chairman Mitchell said the sole purpose of the meeting was to discuss a proposed central office for Rowan Salisbury Schools (RSS). Chairman Mitchell said the Board had the Barwick proposal from the Board of Education (BOE) for discussion, as well as the options for Isenberg Elementary and the Salisbury Post.

Chairman Mitchell opened the floor for the Barwick option.

Commissioner Barber said out of respect for the BOE and its work to perform due diligence in the search for a central office, he moved to "grant permission to the BOE to exercise their statutory authority to use their sales tax revenue

derived from Articles 40 and 42 to proceed with the option presented to us on January 23". The motion was seconded by Commissioner Coltrain.

Commissioner Sides said the only problem he had with the motion was the portion dealing with the sales tax money, which he said the BOE would not have until 2016. Commissioner Sides said the plan would proceed immediately if approved and there must be discussion as to where the funds would come from when the BOE moved into the building and the payments started.

Commissioner Barber asked if the Board would allow Gene Miller, Assistant Superintendent of Operations for RSS, to address the matter of funding.

Mr. Miller highlighted the Barwick proposal, which he explained was a capital-lease purchase. Mr. Miller asked the Board to keep in mind that no money was due from the BOE until the developer handed the BOE the keys to the building.

Mr. Miller asked the Commissioners to refer to the information he had presented during regular session on January 3, 2012. Mr. Miller said the proposal detailed a payment plan, which he then reviewed. Mr. Miller said RSS would incur savings totaling over \$250,000 per year in operations by combining the existing five (5) locations into one (1) facility. Mr. Miller proposed to use a portion of the savings to make part of the payment. Mr. Miller said payments being made on the 1992 bond referendum would have come down by \$90,000 and he said those monies could also be used. Mr. Miller said by the time payments were due, the BOE hoped to have sold either one (1) or both of its administrative facilities and the sale would provide ample money to pay on the new facility. Mr. Miller said the BOE would have to come up with \$209,000 in the second year, which would be the only year the BOE would have an issue in making its payments. Mr. Miller continued to highlight the savings and payment options for the Barwick proposal.

Commissioner Sides asked if the figures provided for operating savings came from current capital expenditures or administrative expenditures. Mr. Miller responded that the funds came from operating expense, which was being used to pay for the current buildings.

Commissioner Sides said it was important to understand that operating dollars vs. capital dollars were two (2) different items. Commissioner Sides said operating expense could not be converted to capital expense without approval by the Commissioners. Mr. Miller said the funds were already in the current expense budget. Mr. Miller said money was needed for receptionist salaries, custodial salaries, computers for the phone system, internet services, etc. Mr. Miller said RSS would use the same dollars to be applied to another location.

Commissioner Sides said there was a distinction due to the fact that those dollars would flow back to administrative costs if they were not spent for capital. Commissioner Sides said when it came time for the next two (2) budgets, there

would be no administrative expense funds and the Commissioners would be asked to replace those funds. Commissioner Sides stressed the distinction that the monies were not capital funds and the funds were being converted from one area to another. Mr. Miller said the BOE was not asking the Commissioners for any additional money whatsoever.

Commissioner Barber asked if any Commissioners disagreed with the BOE's statutory authority and Commissioner Sides said to some extent he disagreed and that he would touch on the subject later.

Commissioner Barber said he talked with legal counsel from the School of Government (SOG) in regards to the site for the school building and the SOG was of the opinion the BOE should determine the location of school buildings.

In response to an inquiry from Commissioner Barber, Mr. Miller discussed Articles 40 and 42, the sales tax revenues, projected savings and payments from consolidation and the role of the County Commission.

Commissioner Barber asked if the BOE understood the County Commissioners would apply to the Local Government Commission (LGC) for the application and Mr. Miller responded yes.

At Commissioner Barber's request, Mr. Miller highlighted his conversations with the LGC and their conclusions related to capital-lease tax credits.

Commissioner Barber said he called the LGC and discussed the matter with Vance Holliman. Commissioner Barber said a majority vote for any of the possible locations would be acceptable. Commissioner Barber said a petition had been introduced to the Commissioners that would be a part of the consideration regarding the application, assuming the petition was submitted to the LGC on behalf of the petition's group. Commissioner Barber said the LGC did not see the petition as a "showstopper".

Commissioner Barber reported the LGC said it was the Board of Commissioners decision to determine where it believed the investment was best spent in regards cost and where the location was going to be.

Commissioner Barber asked if the Barwick option had space designed for use as a convention center and Mr. Miller said no.

Commissioner Coltrain said North Carolina General Statutes gave the BOE legal responsibility to locate the site for the proposed central office. Commissioner Coltrain said the BOE was proposing to use property that was being given to them, which left the BOE's undeveloped property available for future needs. Commissioner Coltrain felt the downtown location was the most economically advantageous for RSS, as well as for the County as a whole. Commissioner

Coltrain felt the only decision for him to make as a County Commissioner was whether he was willing to assist the BOE with borrowing the funds to construct the facility. Commissioner Coltrain said the savings incurred from consolidation would help pay for the new facility. Commissioner Coltrain said the BOE had identified the state sales tax it received, which could only be used for construction projects as a means for paying the loan. Commissioner Coltrain said if the BOE was willing to provide the County with a signed agreement with a payment plan, he had no reason to not assist the BOE with its effort. Commissioner Coltrain said locating the office in a downtown area would lead to the County receiving more sales tax revenue than in any other location due to the foot traffic. Commissioner Coltrain said in listening to all the information that had been explored over the past twenty-three (23) years, the BOE proposal seemed to be the best alternative. Commissioner Coltrain said he supported assisting the BOE in the process.

Commissioner Ford asked if the environmental study had been received for the Barwick site and Mr. Miller said yes. Mr. Miller said the study was done by the City and was a Level One. Mr. Miller assured the Board the BOE would perform its due diligence in regards to environmental matters.

Commissioner Ford said there was a reference for a CDE fee and Mr. Miller explained CDE meant *community development entity*. Commissioner Ford said the fee was \$90,000 upfront and \$4,300 per year.

Commissioner Ford questioned the deferred development fee in the amount of \$193,500 and Mr. Miller said the fee was for the developer to manage the project month by month, year by year. Mr. Miller then reviewed the fees listed in the proposal.

Commissioner Ford questioned the necessity of having such a large meeting room. Mr. Miller explained that the draft plan showed the board room would seat approximately 150 people and there would be two (2) adjacent meeting rooms with a dividing wall between them. Mr. Miller said each of those rooms would accommodate approximately 100 people; however, the dividing walls could be opened to accommodate 300 people. Mr. Miller confirmed the rooms would be available for use by the public.

Chairman Mitchell discussed several issues he had with the Barwick proposal. Chairman Mitchell said his first issue was with the overall cost of the building at \$8.5 million. Chairman Mitchell pointed out the total \$8.5 million cost divided by the 62,000 square feet left the price at \$137.10 per square foot and not \$129 as reported.

Chairman Mitchell asked what the developer's total profit would be. Mr. Miller said he would have to add all the fees, taxes, etc.; however, he said those figures would not necessarily represent what the developer would make. Mr. Miller said

it appeared the only money the developer would make off the project was the \$193,480, which would be paid on a monthly basis, as well as the developer's income of \$337,500, which totaled approximately \$500,000.

Chairman Mitchell discussed the County's Investment Grant Policy under the Barwick option and said the policy was for projects that were profitable for the County not only in terms of tax revenue but for new jobs that were created. Chairman Mitchell said the central office project would not add new jobs other than during the construction process. Chairman Mitchell was of the opinion that any grant requested to reimburse the developer for taxes paid during the construction period would add to the overall cost of the project.

Mr. Miller said the developer was under the impression that he would qualify for the tax incentive for the first five (5) years. Chairman Mitchell responded that on the face of it, the amount invested would qualify; however, under normal circumstances the Board would never consider giving an incentive for the project in question.

County Manager Gary Page confirmed that the Investment Grant Policy was for commercial development where jobs would be created and the investment would be ongoing.

In response to an inquiry from Chairman Mitchell, Mr. Miller highlighted the preliminary drawing for the potential building and discussed the various office sizes.

Chairman Mitchell inquired as to how many square feet RSS staff currently occupied and Mr. Miller said 51,332.

Chairman Mitchell said there were well over 100 offices in the three (3) floors indicated. Chairman Mitchell asked if 160 employees would be going into 100 to 115 offices. Mr. Miller pointed out the cubicle spaces and said there was a space for 160 people. Mr. Miller said the drawing was preliminary and could change.

Chairman Mitchell called for a recess at 4:05 pm.

Chairman Mitchell reconvened the meeting at 4:15 pm.

Chairman Mitchell inquired as to the total square footage of the Department of Social Services (DSS) building and how many employees were housed there. Mr. Page said the facility was 45,500 square feet with approximately 190 to 200 employees. Mr. Page said the offices ranged from 8x10, 10x10 and 10x12 feet. Mr. Page said there was a board room and a large lobby.

Chairman Mitchell questioned the cost to build the DSS facility and Mr. Page estimated the project cost a little over \$5 million.

Chairman Mitchell asked Mr. Miller if the Barwick proposal included furniture and Mr. Miller said no.

Chairman Mitchell asked what would be the total cost for the \$8 million project if it was financed at 2.5 percent. Assistant Finance Director Suzanne Burgess said the total cost would be \$9.1 million.

Chairman Mitchell felt the Commissioners had no real say as to the site for a new central office. Chairman Mitchell said if the Commissioners approved an amount for a building, it could be spent for any location in the County. Chairman Mitchell said he was trying to conclude how much tax dollars should be spent. Chairman Mitchell said the tax dollars for the project were coming from capital tax funds the BOE already had and it would not put an additional burden on citizens in Rowan County.

Chairman Mitchell said a building could be built with adequate space with room for expansion at a lesser amount than the Barwick proposal. Chairman Mitchell said the decision came down to the need for the size of the building. Chairman Mitchell said the offer for a \$4 million building from the Salisbury Post should be considered. Chairman Mitchell said the Salisbury Post offer would provide 51,000 square feet and a total renovation. Chairman Mitchell said he could not support the Barwick proposal when there were cheaper options available to meet the needs for a central office.

Commissioner Sides read a prepared statement and stressed that in accordance with North Carolina General Statute § 115C-521, the role of the County Commissioners was as follows: "The Commissioners having determined what expenditures are necessary and possible for the erection, repair and equipment of school buildings and having provided funds, their jurisdiction ends and the authority to execute the plans is in the county Board of Education".

Commissioner Sides said the Commissioners had three (3) charges and those were to 1) determine the need; 2) determine the availability and method of funding, and 3) to provide the funds.

Commissioner Sides said he approved of the concept of consolidation and the long term savings that would be involved. Commissioner Sides then reviewed the reasons as to why he felt the "need" was not justified for the Commissioners to approve the Barwick proposal.

Upon being put to a vote, the motion on the floor failed 2-3 with Commissioners Mitchell, Ford and Sides dissenting.

Commissioner Barber moved to grant permission to the BOE to exercise their statutory authority to use their sales tax revenue derived from Articles 40 and 42

to proceed with selecting any location using a funding amount not to exceed \$6 million. Commissioner Coltrain seconded the motion for discussion purposes.

Commissioner Coltrain referred to the Salisbury Post offer and said he felt the Commissioners should obtain architectural opinions as to what would be involved in renovations.

Upon being put to a vote, the motion on the floor passed 3-2 with Commissioners Ford and Sides dissenting.

2. ADJOURNMENT

With no further business to come before the Board, Chairman Mitchell adjourned the meeting at 4:55 p.m.

Respectfully Submitted,

Carolyn Athey, CMC, NCCCC
Clerk to the Board/Assistant to the County Manager